

# OIG ORGANIZATION

**AGENT OF POSITIVE CHANGE**

**REORGANIZATION**

**POISED TO CONTINUE CONTRIBUTIONS**

**NEW BUDGET PROCESS**

## **OFFICE OF INSPECTOR GENERAL: AGENT OF POSITIVE CHANGE**

The FDIC OIG was established April 17, 1989 by the FDIC Board of Directors pursuant to the Inspector General Act Amendments of 1988. The Resolution Trust Corporation Completion Act, enacted December 17, 1993, provides that the FDIC Inspector General be a presidential appointee confirmed by the Senate. Gaston L. Gianni, Jr. became FDIC's first Inspector General appointed by the President in April 1996, and the third FDIC Inspector General since the office was established. The Inspector General is an active participant in a number of professional organizations, including the President's Council on Integrity and Efficiency, on which he serves as a member of the Audit Committee; the Financial Institutions Regulatory Agency Inspectors General group; the Association of Government Accountants; the Institute of Internal Auditors; and the Intergovernmental Audit Forum.

FDIC was created by Congress through the Banking Act of 1933 to provide protection for bank depositors and to foster sound banking practices. FDIC ensures deposits at over 11,000 banks and savings associations and promotes the safety and soundness of these

institutions by identifying, monitoring, and addressing risks to which they are exposed.

The FDIC OIG is charged with independently reviewing FDIC programs through audits, investigations, evaluations, and other reviews, to help ensure economical and efficient operations and to detect and prevent fraud, waste, abuse, and mismanagement.

### **OFFICE OF INSPECTOR GENERAL**

#### **REORGANIZATION**

Inspector General Gianni announced a reorganization of the OIG

on March 13, 1997. The revised organization streamlined OIG operations by eliminating five executive level positions and merging several functions. The revised organization is shown in Figure 3.

#### **OIG PROACTIVE ASSISTANCE WITH FDIC MANAGEMENT (OCTOBER 1996-MARCH 1997)**

- Joint initiative with FDIC Legal Division to develop electronic billing standards for outside counsel.
- Efforts to streamline and automate time and attendance reporting.
- Participation in a corporate working group and steering committee on Corporate business planning process and quarterly performance measurement.
- Technical advice and assistance to Office of Internal Control Management (OICM) with respect to implementing a new internal control program and an OIG limited review of the process leading to the Corporation's 1996 internal control report currently being prepared.
- Continued coordination with OICM to ensure proper audit followup and resolution activities corporate wide.
- Efforts to automate and simplify Corporate travel reimbursement procedures.
- Assistance with corporate revisions to Corporate Performance Management Program to improve supervisory performance criteria.

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**Figure 3: Office of Inspector General Organization**

In making the organization changes, the Inspector General noted that the OIG had operated with an interim structure that was designed to accommodate the merger of the Resolution Trust Corporation (RTC) OIG into FDIC in 1996. With much of the RTC-related work completed or near completion and a significantly smaller staff, the new organization will be consistent with staffing plans and workload. The revised organization is also designed to ensure the OIG's responsiveness to the Congress and to consolidate the OIG's legal counsel activities.

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**Figure 4: History of OIG Staffing**

The OIG is completing a period of significant downsizing that mirrors downsizing efforts throughout FDIC in the face of a healthier banking industry and completion of the RTC work associated with the savings and loan crisis. As shown in Figure 4, overall OIG staffing has declined from 371 in January 1996 following the merger of RTC into FDIC to 259 as of March 31, 1997. The OIG plans to maintain its staff at 235, which is the number of staff the OIG believes is necessary to provide appropriate coverage of FDIC

operations through the year 2000, assuming there is no further banking industry crisis. The OIG's downsizing has occurred through a combination of voluntary and involuntary separations, completions of time-limited appointments, a reduction-in-force, and the corporate-sponsored buyout program.

**OIG POISED TO CONTINUE CONTRIBUTIONS**

In its Strategic Plan, the OIG has written a vision statement expressing the general direction in which our office is heading with its operations and activities:

“We are independent agents of positive change, striving for continuous improvement in FDIC programs and operations. We are committed to the Congress and the American public to promote good government, and to create an environment where our employees have an opportunity to learn and excel and are proud of our work.”

The six OIG offices carry out components of annual business and operating plans designed to achieve OIG goals and objectives, which have been developed in conformity with the principles of the Government Performance and Results Act. The OIG has developed five specific goals:

- The OIG will develop and deliver quality and timely products that add value to the Corporation's efforts to maintain stability and public confidence in the nation's banking system.
- The OIG will strengthen lines of communication between OIG staff and their customers to build relationships that make a positive difference.
- The OIG will foster a work environment that supports, challenges, and respects its employees.
- The OIG will maintain a streamlined, dynamic operation that makes maximum use of and is embraced by its people.
- The OIG will pursue opportunities to expand its contribution to FDIC, the banking industry, and the general public in the interest of good government.

Table 1 summarizes significant achievements for this semiannual reporting period:

**OIG INTERNAL MANAGEMENT INITIATIVES  
OCTOBER 1996-MARCH 1997**

- OIG Reorganization -- March 13, 1997.
- OIG implements 1997 Audit Plan.
- World Wide Web homepage established on Internet.  
(<http://www.sba.gov/ignet/internal/fdic/index.html>)
- Information Technology task group works to develop OIG-wide technology plan.
- OIG begins to develop performance measures and implement Government Performance and Results Act (GPRA).
- Inspector General establishes committee to review uses of incentive awards in OIG.
- OIG Report Writing Task Group recommends improvements to reporting processes.
- OIG staff begin peer review of Environmental Protection Agency OIG; similar review of FDIC OIG scheduled for 1998.
- 128 of 173 "Best Practices" recommendations are implemented as of March 31, 1997 following merger of FDIC and RTC OIGs in January 1996.

**Table 1: Significant OIG Achievements  
(October 1, 1996 through March 31, 1997)**

Audit Reports Issued	89
Questioned Costs <sup>a</sup>	\$12.29 million
Investigations opened	55
Investigations closed	185
Subpoenas issued	19
Convictions	15
Fines, restitution, and monetary recoveries	\$4.3 million
Evaluations Initiated	8
Evaluation Reports Issued	7
Contractor Oversight Reviews Completed	31
Questioned Costs	\$5.66 million
Proposed Regulations Reviewed	32
Proposed FDIC Policies Reviewed	29
Hotline Allegations Referred Hotline	33
Allegations Substantiated	11

<sup>a</sup> Including one evaluation review.

The OIG's **Office of Audits** is responsible for full scope audits, reviews, and evaluations of corporate and receivership activities conducted by the various organizational units of the FDIC, including residual activities related to completing the business of RTC. Audits are conducted in both headquarters or field offices, at various sites nationwide, and at the facilities of FDIC contractors and others involved with FDIC activities. The Office of Audits issued its Annual Audit Plan at the beginning of 1997, calling for 79 new audit projects to be initiated in 1997. Figure 5 depicts how audit staff resources will be allocated by issue area for these new assignments in 1997.

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**Figure 5: Audit Staff Resource Allocation by Strategic Area**

The Office of Audits also has an objective to issue 100 audit reports in 1997. Through March 31, 1997, 39 reports have been issued. A complete list of all audit reports issued for the semiannual reporting period is in Appendix I, Table I.2.

The OIG's **Office of Investigations** carries out a comprehensive nationwide program for the prevention, detection, and investigation of criminal or otherwise prohibited activity affecting FDIC or its programs. This office maintains close and continuous working relationships with the

U.S. Department of Justice, the Federal Bureau of Investigation, the U.S. Secret Service, other Offices of Inspector General, and state or local law enforcement agencies. Based on past experience, caseload, and available resources, the Office of Investigations projected that it would complete 131 investigations in 1997. The office began the year with 266 open cases and anticipated 120 new cases would open. Through

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**Figure 6: Investigations by Type (As of March 31, 1997)**

March 31, 1997, 100 cases have been completed, or 76 percent of the projection. Thus far, 28 new cases had been initiated through March 31, 1997. Figure 6 shows the types of cases currently under investigation.

The OIG's **Office of Congressional Relations and Evaluations** is a new function designed to ensure responsiveness to Congressional needs for OIG reviews and information. This office is also charged with quickly

conducting evaluations of FDIC operations and recommending improvements. Generally, the efforts of this office are focused on special requests received from the Board of Directors, senior FDIC managers, the Congress, and the OIG Hotline. During the 6-month reporting period, seven evaluations have been completed. Evaluation reports from this reporting period are identified in Appendix II.

The OIG's **Office of Quality Assurance and Oversight** maintains the OIG's programs for oversight over audit-related activity of independent public accountants; quality assurance over audit, investigative, and other OIG activities; and oversight of the Corporation's internal control reporting responsibilities under the Chief Financial Officers Act. A key component of this office's work is a joint initiative with FDIC management to assist management with the closeout of contractor work assumed at RTC's sunset. When the OIG assumed responsibility for these contractor oversight reviews in December 1995, 101 reviews were underway or planned. Figure 7 depicts the OIG's progress in completing these reviews through March 31, 1997.

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**Figure 7: Status of Expiration Reviews of RTC Contractors  
(As of March 31, 1997)**

The **Counsel to the Inspector General** and staff provide independent legal services to the OIG. This new office consolidates two

previous offices that provided legal assistance to the OIG and expands responsibilities into every facet of OIG operations. The Counsel is one of the Inspector General's senior management officials. Legal services include providing advice and counsel on audit-, investigative-, and management-related topics; performing legal research and writing opinions; preparing subpoenas for issuance by the Inspector General; and reviewing proposed legislation, regulations, and directives. Much of the Counsel's work is supportive, though extremely critical to the quality of, audits, investigations, and other reviews. During the semiannual reporting period, the Counsel and staff coordinated the OIG's reviews of 32 regulations that

#### **REVIEW OF REGULATIONS**

During the reporting period, the FDIC intensified its systematic review of regulations and written policies as required by Section 303(a) of the Riegle Community Development and Regulatory Improvement Act of 1994 (CDRI). Section 303(a) of the CDRI, codified as 12 U.S.C. 4803(a), requires the FDIC to streamline and modify its regulations and written policies in order to improve efficiency, reduce unnecessary costs, and eliminate unwarranted constraints on credit availability. Section 303(a) also requires the FDIC to remove inconsistencies and outmoded and duplicative requirements from its regulations and written policies. During the past 6-month period, the OIG reviewed 32 regulatory and policy changes proposed by the FDIC and provided comments as necessary.

were being proposed by FDIC.

#### **NEW BUDGET PROCESS FOR OIG**

For the first time, the President's annual budget sent to the Congress for fiscal year 1998 contains a funding request for the FDIC OIG. Previously, the FDIC OIG has submitted its budgets to the FDIC Chairman and received funding approvals from the Board of Directors. The change in the OIG's budget procedures has been made because the Senate Committee on Banking, Housing, and Urban Affairs and the U.S. Office of Management and Budget decided that a congressionally determined budget would help ensure OIG independence and adequacy of resources. The issue of the OIG's budgeting process was raised last year during the Inspector General's Senate confirmation hearing. The President's budget proposal for \$34,365,000 would fund 235 positions, a staffing level that the OIG has determined is needed to satisfy its core responsibilities assuming the continued improved health of the banking industry. The funding will continue to come from the Bank Insurance Fund, the Savings Association Insurance Fund, and the FSLIC Resolution Fund. (See figure 8 for the FDIC/RTC OIG budget history 1992-1998.)

The **Office of Management and Policy** is the management operations arm of the OIG with responsibility for communicating OIG policies and developing operating procedures; developing and controlling OIG strategic and business plans and the budget; managing the OIG human resources program, including comprehensive training to meet legislatively required minimum levels; performing administrative oversight of OIG contracts for audits and other services; coordinating the OIG's review of proposed corporate directives; and providing information technology support to the OIG. This office also manages the OIG Hotline, which is a program using a toll-free phone (1-800-964-FDIC), regular mail, or electronic mail to encourage FDIC employees, contractors, and others to report allegations of fraud, waste, abuse, and mismanagement related to FDIC programs and operations to the OIG. During the semiannual

reporting period, the Hotline opened 33 cases and closed 42 cases, resulting in 11 substantiated allegations.

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**Figure 8: FDIC/RTC Offices of Inspector General  
Budget History 1992-1998**

Going forward, the OIG will continue to independently review FDIC's programs to help ensure the successful accomplishment of the Corporation's mission. At the same time, we will continue to focus on our internal activities with a goal of maximizing the OIG's efficiency and effectiveness. A number of the initiatives described in this section will be completed over the next 6 months, and we are prepared to address new issues that arise. We look forward to continuing to work with FDIC management and the next Chairman of the Corporation in a spirit of cooperation.